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To Our Readers:

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Joan C. Courtless
Editor

July 1989

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Cutting Back on Consumption: The Experience of Older Households[1]

By Marilyn Doss Ruffin
Consumer Economist

Increases in average income of older consumers as a group have led to a misperception by some that economic distress among this group no longer persists to any significant degree. Data examined in this analysis of older married-couple households indicate that more than one in four among this group cut back on a basic consumption area (food, energy, or medical care) because of "money problems." Cuts were most frequent among households having low incomes, no savings, nonmortgage debt, or outstanding medical bills. Households whose main income was from Social Security were more likely to report cuts than were households reporting pension or earnings as the main income source. Health and safety appear to be major considerations that need to be addressed in consumer education programs for older consumers.

Introduction

There is little disagreement about the plight of the substantial proportion of older households that are clustered at the lower end of the income distribution.[2] These poor and near-poor households are quite vulnerable to cost-of-living increases as well as to other sources of financial stress. Furthermore, many in this financially disadvantaged group live alone, are very old, have frail health, and an increased need for costly medical care or for services that allow for continued independent living in the community. These problems compound the difficulty of using available income to achieve even a minimally acceptable level of living.

Cross-sectional data show that over the last decade or so, however, the proportion of older households below the poverty level has declined. In addition, average income in real terms for the group that constitutes the population of older households has been higher in recent years than was the case for earlier cohorts. Longitudinal data, on the other hand, which trace the experience of particular households over time, have demonstrated that lower real income and increased incidence of poverty more likely are the case for an older-consumer household as members age and as household composition changes when one member dies (*2, 3, 4, 6*).

Consumer Expenditure Survey data, obtained by the U.S. Department of Labor, Bureau of Labor Statistics (BLS), as well as demographic information on older consumers suggest that there are differences in the cost of living for older consumers compared with all consumers. Because of a generally smaller total budget, the share allocated to major necessities—for example, energy or food—may be greater. Furthermore, older households may have consumption patterns based on earlier consumer decisions and acquisitions, and current needs may require greater levels of health-related goods and services than in earlier years. Thus, there may be little discretionary flexibility in the older consumer's budget to accommodate increases in price or in quantities of goods and services needed for maintaining health and independence. For example, among older homeowners, current housing typically was obtained during an earlier period of consumption, and the older consumer may be "over housed"—i.e., have a home that was designed to accommodate a larger family with children at home rather than the typically 1- or 2-person, older-consumer household. Housing costs such as energy or taxes thus may be disproportionately high.

Small household size limits the economies that are possible in the household's food budget. USDA's estimates of the Cost of Food at Home[3] suggest that compared with a 4-person household, the 2-person household might need to spend 10% more per person, and the 1-person household 20% more per person to achieve the same level of food consumption. Medical care consumes a larger proportion of the older household's budget because of (a) health care needs that may increase as household members age, and (b) higher out-of-pocket costs for health insurance premiums for older consumers, who are less likely to have such costs offset by an employer contribution, and (c) a generally lower total budget than households of all ages, particularly if neither spouse is in the labor force.

Living costs for older consumers rose slightly more than for all consumers during the 5-year period from 1982 to 1987 (*11*). This finding is based on an experimental Consumer Price Index computed by BLS for older consumers in response to a provision of the 1987 reauthorization of the Older Americans Act. All items rose 19.5% for older consumers, compared with 18.2% for CPI-U consumers, and 16.5% for CPI-W consumers. Shelter, energy, and medical care had major impact on overall increases during the period (see box).

The objective of the analysis reported here is to examine cuts made "because of money problems" in specified areas of household consumption by married-couple

[1] Mary N. Talbot, Social Science Analyst, provided technical assistance on this project.

[2] Bureau of the Census, U.S. Department of Commerce, P-60 Consumer Income series.

[3] U.S. Department of Agriculture, Human Nutrition Information Service.

CPI For Older Consumers

An experimental Consumer Price Index for Older Americans was developed by the U.S. Department of Labor, Bureau of Labor Statistics (BLS), in response to a provision of the 1987 reauthorization of the Older Americans Act. The legislation called for a "reweighted index of consumer prices which reflects the expenditures for consumption of older Americans 62 years of age and older." The older consumer group included unrelated individuals ages 62 and over and households whose reference person or spouse was 62 years or older. The experimental index was constructed for the years 1982 to 1987. Using this index, BLS was able to compare the older consumer group with the population represented by the CPI-U (all urban consumers) and CPI-W (urban wage earners) on several characteristics related to the cost of living. At present, cost-of-living adjustments to Social Security benefits are based on percentage change in the CPI-W.

Differences between the experimental index and the CPI are summarized below:[1]

- The older group were more likely to live in small cities or in large cities that had low rates of economic growth during the first half of the eighties.
- Older consumers had expenditures that differed in relative weight or budget share from households of all ages, as measured by either the CPI-U or CPI-W, with housing and medical care having considerably higher relative weights than for all households.
- Homeowners' expenses had more weight for older Americans (26%, compared with 19% for the CPI-U population). The older group also spent a greater proportion of their budget on heating oil and electricity.
- Medical care expenditures had weights at least 50% higher than for either the CPI-U or CPI-W populations. Older consumers spent more of their medical care budget on prescription drugs and health insurance premiums and less on hospital and related services than did consumers of all ages.
- Within the food and beverage category, older households spent relatively less on food away from home and on alcoholic beverages than all CPI households.
- Data were not sufficiently detailed to determine whether older consumers purchase different brands or sizes of products or shop at different types of retail outlets than do all CPI households; therefore, the issue of possible differences in prices paid could not be assessed.

New and comprehensive survey data would be needed in order to refine and regularly produce a reliable CPI for Older Americans. Time and costs of such an undertaking would be substantial. Therefore, at present, BLS does not plan to develop a full-scale and ongoing CPI for Older Americans.

[1] A summary of the report to Congress is published as press release USDL-88-317. To obtain a copy call BLS at 202-523-1913.

households who completed interviews in the 1983 Survey of Aging Veterans. Food purchases, household energy, medical care, and entertainment are the areas addressed.

Methods

Data

Data used in this study are from the 1983 Survey of Aging Veterans (*13*). Economic and health characteristics of households that included a veteran 55 years or older were the primary focus of the Survey. The U.S. Veterans Administration (VA) developed the Survey to help project veterans' future needs for VA benefits and programs. By 1990 more than half of the American male population age 65 and older will be veterans.

The Survey was conducted by Louis Harris and Associates. In order to obtain a geographically representative sample of all veterans age 55 and older in the U.S. population, the Harris organization developed a national area probability sample of approximately 50,000 households; 34,552 households were screened, yielding 3,992 households reporting an eligible veteran member. In-person interviews, which took about 1 hour, were completed with 3,013 veterans.

The age distribution of older male veterans differs somewhat from the distribution of older males in the U.S. population. The proportion of the male population who served in the Armed Forces was quite low until World War II; therefore, veterans overrepresent younger age cohorts among the 55 and over male population. Two-thirds of the veterans surveyed were ages 55 to 64, compared with one-half of the male U.S. population ages 55 and over in 1983. The veteran group is better off financially than the older male population as a whole, partly because of the disproportionate age distribution. Even when compared

with nonveterans of the same ages, however, the veteran group is better off. They have a somewhat higher educational level, and their occupational status reflects that difference. For example, operatives and unskilled labor positions are less common among the veterans. These differences suggest that economic problems found among the veteran population would be experienced with greater frequency or intensity among the entire U.S. population of older households.

The veteran was the respondent; as home management tasks that relate to food and financial management generally involve the female head of household, some degree of reporting error may have occurred in obtaining information from the husband. Furthermore, survey questions concerned only cuts made in response to **perceived** money problems. Thus, cuts because of changes in need or lifestyle were not recorded.

This analysis is limited to households that included husband and wife, with or without other persons present.[4] Most of the older veterans in the Survey lived in husband-wife households (83%). There were relatively few female veterans in the cohort (3%), which meant the U.S. population of single females was vastly underrepresented. Female-veteran households, therefore, were excluded from the present analysis. Those households in which the male veteran was not married also were selected out in order to achieve a subsample that was relatively homogeneous in composition. The subsample included 2,480 married-couple households. Because married-couple households are better off economically than older households of other household configurations, we would expect economic problems to be less frequent or less intense among these households than among household types not evaluated in the present analysis. Older females living alone generally are identified as the least well-off subgroup among older consumers. In 1983 female, nonfamily households accounted for about one-sixth, one-third, and one-half of the U.S. population aged 55 to 64, 65 to 74, and 75 and over, respectively (*9*).

The analysis presented here focuses on "older" consumers—those with householder age 55 or over—rather than "elderly" consumers ages 65 and over. Adequate sample size was one major consideration in selecting 55 as the age threshold for examining cuts in consumption. Two-thirds of the survey respondents were younger than age 65, and nearly one-third were younger than age 60. Various lower-age thresholds have been used in consumer research (*8*). Age 65 frequently is used as the lower-threshold age. That age, however, would exclude a substantial part of the retired population. Also, persons still in the labor force but nearing retirement may have current consumption that is affected by choices intended to facilitate economic well-being during retirement. Older-consumer households under age 65 have higher average household income as well as higher net worth than those who are 65 years and over. The Survey of Aging Veterans, however, revealed little difference among age groups in incidence of consumption cuts. A tabulation by the VA of each area of financially-prompted consumption cuts shows that rates were virtually the same for age groups 55 to 59, 60 to 64, 65 to 69, and 70 to 74 years, whereas the group 75 years and over reported lower incidence (*13*). The lower rate for those 75 years and over likely is due to several factors including fewer observations (and thus, larger expected sampling error), making cuts earlier in the retirement period, and using that lower point of reference as the current norm. There also may be a greater reluctance by the oldest group to admit to any problems that might lead others to question the household's ability to continue to live independently in the community. The data include no assessment of the degree to which consumption was cut or whether problems in health or safety may have resulted from such cuts. The fact that a household reported a cut does not necessarily mean that a reduced quality of life is linked with that cut. Additional data would be needed to conclude with certainty what percentage of these households experienced perceptible negative effects.

Variables and Procedures

Variables used in the present analysis of married-couple households were husband's age; household income (reported in increments of $5,000); whether the household had savings, had nonmortgage debt, or owed for medical bills; and whether the household reported having to "cut down on ... (or) go completely without because of money problems" in any of several consumption areas.[5]

The consumption cuts evaluated in this analysis are food purchases, medical care (including drugs), energy (e.g., heat or hot water), and entertainment. Information was tabulated on areas cut, patterns of cutting, and household economic variables related to whether or not a "necessity" was cut. Necessity was defined to include the basic consumption areas of food, energy, and medical care; households reporting cuts in at least one of those consumption areas were described as cutting back on a necessity. Entertainment was not classified as a necessity.

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[4] Most of the households in this analysis included husband and wife only (63%) or husband and wife and just one additional member (22%).

[5] Quoted from page 40 of the survey questionnaire, questions 95a and 95b, in Survey of Aging Veterans. A Study of the Means, Resources, and Future Expectations of Veterans Aged 55 and Over (13).

Results

Tables 1 to 4 present information on consumption cuts by area of budget, patterns of cutting back, and economic status measures. More than one in four of the older-consumer couples surveyed reported a cut in one or more of the basic consumption areas of food, energy, or medical care. Of those areas, energy was most frequently cut, followed closely by food, see table 1. Medical care was cut by substantially fewer households. The area most frequently cut was entertainment (31%), which in this analysis was not classified as basic consumption. The high incidence of cuts in that area suggest that when older consumers are faced with the need to cut back, discretionary areas are likely to be cut first.

Of the households, 27% cut at least one of the areas defined in this analysis as basic consumption, and an additional 13% (though not cutting back in any of the three basic consumption areas) reported they had reduced entertainment because of money problems (table 2). Two-thirds of those households that cut a necessity also reported cutting back on or completely doing without entertainment.

A tabulation of patterns of consumption cuts by the older married couples studied shows that similar proportions were cutting either one necessity (15%) or entertainment only (13%) (table 2). When only one area (i.e., entertainment, energy, food, or medical care) was cut back, entertainment was the most frequently cut. When any one necessity was cut, energy was the most frequent followed by food. About 12% were cutting two or more basic consumption areas. Households cutting back on two basic consumption areas typically cut energy and food; two-thirds of households cutting two necessities followed that pattern.

Selected economic characteristics of households included in this analysis are presented in table 3. The economic characteristics include having very low income, having moderate income or higher, main income source, having savings account, owing medical bills, and having nonmortgage debt.[6]

Results show that households making financially prompted cuts in basic consumption areas were disadvantaged relative to households not making such cuts in all economic measures used. However, in both groups most households had some level of savings, and few households had nonmortgage debt. Households who cut back on necessities were less likely to report a savings account (58%), compared with households with no cut in necessities (82%). The lower proportion with savings among those who made cuts may be due to (a) depletion of savings as well as cutting back on basic consumption in response to financial stress, and (b) basic differences in economic status and consumer characteristics of the two groups that affected the ability to save during earlier time periods. Substantial differences among the two groups were evident in the area of health care; the proportion that had outstanding medical bills was more than double

[6] Income of less than $10,000 was considered to be "very low income"; 125% of poverty also fell within this interval. The poverty threshold in 1983 was $6,023 for 2-person households with householder age 65 and over, versus $6,697 with householder under age 65, and $7,938 for all 3-person households (2). Income of $15,000 or higher was considered "moderate income" for this analysis. That level roughly corresponds to the minimum level considered "middle class" when 68% of U.S. median family income is used as the lower threshold (10). For further information refer to Michael W. Horrigan and Steven E. Haugen, 1988, "The declining middle-class thesis: a sensitivity analysis," Monthly Labor Review 111(5):3-13.

Table 1. Areas cut because of "money problems"

Areas cut	Percent of households[1, 2] (n = 2,480)
Food	15.7
Medical	10.0
Energy	17.9
Entertainment	30.6

[1] Married-couple households, husband age 55 years or older.
[2] Percentages based on weighted data.

Source: Special analysis of data from the Survey of Aging Veterans (1983), U.S. Veterans Administration.

Table 2. Necessities cut because of "money problems"

Areas cut	Percent of households[1, 2] (n = 2,480)	
At least one necessity:	26.6	
One necessity		14.5
Food		4.8
Energy		7.0
Medical		2.7
Two necessities		6.9
Food and medical		1.1
Food and energy		4.7
Energy and medical		1.1
Three necessities		5.2
No necessities:	73.4	
Entertainment only		12.8
No cuts		60.6

[1] Married-couple households, husband age 55 years or older.
[2] Percentages based on weighted data.

Source: Special analysis of data from the Survey of Aging Veterans (1983), U.S. Veterans Administration.

Table 3. Selected household economic characteristics[1, 2]

Characteristic	All households (n = 2,480)	Households that cut any necessity (n = 668)	Households that did not cut any necessity (n = 1,812)
	Percent with characteristic[5]		
Very low income[3, 4]	14.8	33.7	7.5
Moderate income or higher[3, 6]	69.6	42.9	79.8
Main income source:			
Social Security	17.4	24.9	14.6
Pension	18.4	14.7	19.5
Earnings	48.1	41.2	50.6
Has savings account	75.9	58.1	82.5
Owes medical bills	11.9	22.2	8.2
Has nonmortgage debt	27.2	35.0	24.3

[1] Married-couple households, husband age 55 years or older.
[2] For each of the economic characteristics listed, the households that cut a necessity differed significantly from those that did not cut, chi square ($p < .001$).
[3] Excludes the 290 households that did not report income.
[4] Income within or below reporting interval that includes 125% of poverty (i.e., less than $10,000). See p. 5 of text.
[5] Percentages based on weighted data.
6 Income at least $15,000, which is approximate lower boundary for "middle class," when defined as 68% or more of median family income. See p. 5 of text.
Source: Special analysis of data from the Survey of Aging Veterans (1983), U.S. Veterans Administration.

Table 4. Necessities cut because of "money problems," by selected household economic characteristics[1]

Characteristic	Households with characteristic	
	Number	Percent cutting any necessity[2]
All households	2,480	26.6
Income		
Very low income[3, 4]		
Yes	326	63.3
No	1,864	21.5
Moderate income or higher:[3, 5]		
No	670	52.0
Yes	1,520	17.1
Main income source:		
Social Security	432	38.1
Pension	457	21.4
Earnings	1,183	22.7
Financial management		
Has savings:		
No	592	46.8
Yes	1,859	20.6
Has nonmortgage debt:		
Yes	664	34.6
No	1,787	24.0
Owes medical bills:		
Yes	299	49.4
No	2,181	23.5

[1] Married-couple households, husband age 55 years or older.
[2] Percentages based on weighted data.
[3] Excludes the 290 households that did not report income.
[4] Income within or below reporting interval that includes 125% of poverty (i.e., less than $10,000). See p. 5 of text.
[5] Income at least $15,000, which is approximate lower boundary for "middle class," when defined as 68% or more of median family income. See p. 5 of text.
Source: Special analysis of data from the Survey of Aging Veterans (1983), U.S. Veterans Administration.

for the group that made cuts in basic consumption areas.

Very low income (i.e., "in poverty" or "near poverty") frequently is used as an indicator that dire economic circumstances exist for a household. Households with very low income were more likely than those with income above that level to report cuts, 63%, and 22%, respectively (table 4). When income was classified as moderate or higher, differences between the two response groups still were pronounced (17% vs. 52%). Households whose main income source was pension or earnings were much less likely to report cuts than were households whose main income was from Social Security. These differences no doubt reflect the relatively lower income levels of households in the latter group. Selected financial management characteristics of the households also were related to the likelihood of cutting back on necessities because of money problems. Households who had no savings, who had nonmortgage debt, or who owed medical bills were more likely to report cutbacks.

Discussion

The data analyzed in this **Family Economics Review** article were collected in 1983. Since that time, shelter, energy, and medical care have been significant sources of inflation (*11*). Thus, the difficulties that the older consumers were experiencing in 1983 (and which led to cuts by a substantial proportion of households in one or more basic consumption areas) likely have persisted over time. The households included in this analysis were better off economically than older consumers in general. Yet, more than one in four reported cutting back on food purchases, heat, hot water, or medical care because of "money problems." Furthermore, the additional 13% that cut only entertainment include some that are likely to cut basic consumption in a later time period should the level of financial difficulty persist or increase in severity.

Implications of Findings for Quality of Life and Consumer Education

Health or safety problems are likely to be a very real possibility for some households who cut back on food purchases, heat or hot water, or medical care. Particularly at risk are those households with very low incomes, households with unusually high expenses that must be paid during a current time period (e.g., a high fuel oil bill or a major medical bill) and which exceed money income for that period, and households whose savings have been depleted or who were unable to achieve a sufficient level of savings because of a pattern of low earnings or unusual expenditures.

Irrespective of cause, the difficulties apparently experienced by some older consumers in meeting consumption needs should be addressed. Other researchers who have examined consumption cutbacks by consumers have identified short-term health, safety, and legal consequences as criteria that consumers use to determine which needs are the most pressing (*7*, *14*). In extreme situations, consumers may do without or severely cut back on an area such as food in order to pay for another necessity for which the immediate consequences of nonpayment is seen as a greater risk. For example, Shifflett (*7*) suggests that food may be cut in order to avoid the risk of having utilities shut off for nonpayment. Williams describes the problem of not having enough food until there is money to buy more (*14*). Problems of this nature may be particularly evident among older people whose incomes are low but exceed the threshold for the Food Stamp Program or other formal programs of food assistance. Similarly, assistance-eligible households that for many reasons do not receive food assistance are another group for whom the consequences of cutting back may be a problem of health or safety. Family economists and consumer education specialists can work cooperatively with professionals in the social service and health care fields (public health as well as the private sector) to develop program strategies, in outreach efforts, and in the development and distribution of information for older households faced with making critical income decisions.

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Expenditures of Black Households[1] — Housing, Transportation, Food, and Clothing

By Joyce Matthews Pitts
Home Economist

The spending patterns of black households are becoming more important to the American marketplace as the black population increases. This article looks at housing, transportation, food, and clothing expenditures for these households and considers how expenditure levels differ by age and family type. Total household expenditures for black households were $15,153 in 1985. Spending on housing, transportation, food, and clothing totaled $9,124 for younger families, $14,468 for middle families, and $9,114 for older families. Husband-wife families both with and without children and other families spent a lesser portion of their income on housing, transportation, food, and clothing expenditures than single-parent families and single persons. Although the percent of income spent on each budget category was similar for black and white households, black households actually spent much less because of their lower income.

The black population is an important part of the consumer sector of our economy. There were 28.8 million black persons in the United States in 1985 (*2*). Since projections estimate a black population of 34.9 million by the year 2000, the spending patterns of these households will become even more important to the American marketplace.

Total household expenditures[2] averaged $15,153 for black families in 1985, accounting for 94% of their total after-tax income.[3] Although total expenditures of black households were considerably less than those of white households, both groups allocated similar percentages of their incomes to the various expenditure categories.

On average, four essential expenditures, housing, transportation, food, and clothing, accounted for almost 70% of after-tax income for black households. As household income declined, these four categories consumed an even greater portion of income. For example, they accounted for at least 80% of income for younger families, single-parent families, and single persons. This paper examines housing, transportation, food, and clothing expenditures for black households and considers how they were affected by age and family type, factors that often influence how income is spent.

Source of Expenditure Data

Data used in this report were taken from the 1985 Consumer Expenditure Survey (CEX). This survey, conducted by the Bureau of the Census, U.S. Department of Commerce, for the Bureau of Labor Statistics, U.S. Department of Labor, provided information on household expenditures, incomes, and demographic characteristics of 20,831 American households; 11% of these families reported their race as black. The quarterly expenditure data were annualized and weighted to reflect expenditures of the total U.S. population. (See table 1 for selected characteristics of the sample.)

Black Household Expenditures

Housing

In 1985, about 30% of the income of both black and white families was spent on housing, $4,863 and $6,858 respectively (see table 2). Lower expenditure levels by black families resulted from their lower levels of income and home ownership. Only 45% of black households owned homes, compared with 65% of white households.

Housing expenditures for black renters ($4,306) were lower than housing expenditures for black homeowners ($5,540). Although home ownership increased with the number of earners in the family, housing expenditures peaked at $6,515 for two earners and dropped by more than $350 for three or more earners.[4]

Rural black families were much more likely to be homeowners (66%) than urban black families (42%). Even so, at $3,407, rural households spent one-third less on housing than urban households, reflecting lower prices for houses in rural areas.

Transportation

Transportation expenses for black households were $2,933 in 1985—$2,720 for the purchase and maintenance of vehicles and $213 for public transportation. Black households spent a lesser percentage of their transportation dollar than white households on purchasing vehicles but a greater percentage on vehicle maintenance and public transportation. Even though the average number of autos owned was

[1] The terms "household" and "family" are used interchangeably throughout the text.

[2] Housing proved to be the largest expense, at 32% of total expenditures. This was followed by 19% for transportation; 18% for food and drink; 9% for personal insurance, Social Security, and pensions; 6% for clothing; 4% each for health care and entertainment; and 9% for miscellaneous items, including tobacco, reading, personal care, cash contributions, and education.

[3] All income numbers refer to **average after-tax income** unless stated otherwise.

[4] Of the black households with three or more earners, 23% owned their homes mortgage-free, compared with only 14% of the two-earner households.

Table 1. Characteristics of Consumer Expenditure Survey households by race, 1985

Characteristics	All	Black	White
		Percent	
Age (years):			
Younger (30 or under)	22	23	22
Middle (31 to 50)	38	40	38
Older (over 50)	40	37	40
Education:			
Less than high school	27	43	26
High school	29	27	29
Some college	22	20	22
College	12	6	12
Graduate school	10	5	11
Occupation:			
Professional	22	10	23
Retail/technical/administrative	18	16	18
Service	7	12	6
Manufacturing/farming	21	24	20
Other[1]	7	3	8
Not working	10	20	8
Retired	16	15	17
Family composition:			
Husband and wife	25	15	27
Husband and wife, with children	31	23	32
Single parent	6	15	5
Single person	28	27	28
Other	10	20	9

[1] Other includes persons in the armed forces, the self-employed, and those not reporting an occupation.

Source: U.S. Department of Labor, Bureau of Labor Statistics, 1985 Consumer Expenditure Survey.

Table 2. Expenditures as a percent of after-tax income, by race, 1985

Income and expenditure	All	Black	White
After-tax income	$22,570	$16,088	$23,338
		Percent	
Housing	29.5	30.3	29.4
Transportation	20.3	18.2	20.5
Food	15.1	15.7	15.0
Clothing	5.1	5.8	5.1
Total	70.0	70.0	70.0

Source: U.S. Department of Labor, Bureau of Labor Statistics, 1985 Consumer Expenditure Survey.

the same for both rural and urban black households, transportation expenditures were about $270 higher in rural households, probably reflecting greater distances traveled and lesser availability of public transportation in rural areas.

Food

Black households spent $2,525 on food in the survey year, almost $1,000 less than white households. Also, black and white households allocated their food budget differently. Black households seem to prefer eating at home, spending only 21% of their food dollar on food away from home, compared with 33% for white households. Even when considering households with incomes over $40,000, spending on food away from home was 37% lower for black households than for white households.

Clothing

Clothing costs averaged $928 for black households in 1985. The largest portion of their apparel budget was spent on women's clothing, followed by other clothing expenditures,[5] children's clothing, men's clothing, and footwear.

Although both black and white families averaged one child per household, black families spent more of their apparel budget on children's clothing, as shown in the following table:

	Black	White
	(percent)	
Women's clothing	31	34
Men's clothing	14	21
Children's clothing	19	14
Footwear	12	11
Other	24	20

Rural black households spent half as much on clothing ($499) as urban black households ($998).

Age

The age of the household head had a marked effect on how the family spent their money and how much of their income was required to cover the four essential expenditures.

Younger

Younger black families had heads who were age 30 and under with an average age of 25. These households had an income of $10,606 and spent $9,124 (86% of their income) on housing, transportation, food, and

[5] Other clothing expenditures included materials and sewing notions, jewelry, laundry and dry cleaning, and repairs and alterations, and clothing rental and storage.

clothing in 1985 (see table 3). Younger families spent $791 per person for food and $312 per person for clothing.[6] Although only 13% of these households owned homes, housing expenditures consumed 36% of income, the most for any age group. Younger families had limited savings,[7] averaging only $1,469. However, 27% of these younger household heads reported having some college. Many of them may still be acquiring their education, which could impact favorably on their future financial status.

Middle

Heads of household for black middle families were ages 31 through 50, with an average age of 39. In 1985, income for middle black families was $22,132, the largest among the three age groups. Not only did these heads of household have the most education, they also held the largest percentage of professional jobs (17%, compared to 8% for younger families and 4% for older families). In addition, each spouse was working almost full time.

Expenditures by middle families for housing, transportation, food, and clothing totaled $14,468 and accounted for 65% of their income, a lower percentage than spent by younger and older families. Per person expenditures were $951 for food and $411 for clothing, highest among the three age groups – even though middle families had the most members. Savings for middle families totaled $5,717. Forty-eight percent of middle families were homeowners.

Older

Heads of older families were over age 50, with an average age of 66. Their household income was $13,203 in 1985. Expenditures for housing, transportation, food, and clothing totaled $9,114 or 69% of that income. Per person expenditures were $868 for food and $218 for clothing.

At 63%, older black families were more likely to be homeowners than either younger or middle families. However, the difference in spending on housing between older and younger households was only $100 annually ($3,916 and $3,816, respectively), reflecting that 36% of older homeowners did not have a mortgage. Older families held the most in savings of the three age groups, $25,687.

[6] Per person expenses refer to the average cost of that expenditure divided by the average number in the household of that age group or family type.

[7] Savings included the amount in bank accounts (checking and saving), U.S. savings bonds, and stocks and bonds.

Table 3. Expenditures as a percent of after-tax income, by age for black households, 1985

Income and expenditure	Younger	Middle	Older
After-tax income	$10,606	$22,132	$13,203
		Percent	
Housing	36.0	28.7	29.7
Transportation	24.4	16.1	18.7
Food	18.3	14.4	16.5
Clothing	7.3	6.2	4.2
Total	86.0	65.4	69.1

Source: U.S. Department of Labor, Bureau of Labor Statistics, 1985 Consumer Expenditure Survey.

Family Composition

How well black households were doing in meeting the four essential expenditures varied by family type.

Husband and Wife

Black husband-wife families without children had an income of $20,382. These household heads were the oldest of any family type with an average age of 55 years. Half of these households had heads with less than a high school education, and many were retired.

The sum of the four expenditures for this group totaled $12,135. Since this amount totaled only 60% of their income (see table 4), these households were in the best position among the family types for saving and spending in other areas. Black husband-wife households held about $15,071 in savings. At 71%, husband-wife families without children had the highest rate of home ownership among the family types. Because 27% of these homeowners did not have a mortgage, their housing expenditures ($4,981) were only 14% more than housing expenditures for single-parent families (the group with the least income). Per person expenditures for husband-wife families were $852 for food and $306 for clothing.

Husband and Wife with Children

Black husband-wife families with children had the highest income of the family types, $25,690. This group also had the highest percentage of college graduates and professional workers. Husbands and wives together worked a total of 79 hours per week. The average age for this group of household heads was 42 years, and they held $12,309 in savings.

Expenditures for housing, transportation, food, and clothing totaled $17,278, 67% of their income. Even though families with children on average had the most members (four), their per person expenditures of $886 for food and $340 for clothing was exceeded only by those of single persons.

Table 4. Expenditures as a percent of after-tax income, by family type for black households, 1985

Income and expenditure	Husband and wife	Husband and wife, with child	Single parent	Single person	Other
After-tax income	$20,382	$25,690	$9,741	$9,895	$14,244
			Percent		
Housing	24.4	27.3	43.8	35.6	32.1
Transportation	16.5	20.3	14.8	22.0	15.0
Food	13.7	14.2	24.8	15.9	17.0
Clothing	4.9	5.4	9.0	6.5	5.3
Total	59.5	67.2	92.4	80.0	69.4

Source: U.S. Department of Labor, Bureau of Labor Statistics, 1985 Consumer Expenditure Survey.

Single Parent

Single-parent families are a fast-growing segment of the population and also one of the most economieally vulnerable (*3*). This is especially true for black single-parent families, 95% of whom were headed by females. In 1985 they had the lowest income ($9,741) of any family type, reflecting that 37% were not employed during the year. Also, they held only $892 in savings. Although only a few single parents had completed college, 28% had some college. Since these were relatively young families (the average age of the household head was 33), some may finish their edueation and thus improve their future well-being.

Total spending on housing, food, transportation, and clothing ($8,996) accounted for 92% of the single parent's income. With three members per household, per person expenditures for food and clothing were $799 and $290, respectively. Expenditures for housing consumed 44% of the income of single-parent families, although at 18% they had the lowest home ownership rate and 12% lived in public housing. Of the four major categories, only transportation consumed a lower percent of income for single-parent families than for the other family types, reflecting that the majority of single-parent families, 60%, did not own a car.

Single Person

In 1985 black single-person households had an income of $9,895. The sum of the four expenditures for these households was $7,910—$3,521 for housing, $2,178 for transportation, $1,569 for food, and $642 for clothing—representing 80% of their income. Because these persons were living alone and did not share income and expenses with other household members, their per person expenditures were the highest of the family types.

Among single persons, 30% were age 30 and under, 22% were between 31 and 50 years, and 48% were over age 50. Many of their spending and savings patterns reflected their older age. For example, on average these persons had savings of $30,458, the most for any family typc. However, only 27% of single persons were homeowners, and housing consumed 36% of their income. Single persons also spent a large portion of their income on transportation, 22%.

Other

Families in this other category consisted of unrelated persons living together or those related in a manner other than husband/wife or parent/child. The average age of this group was 50 years. More than one-half of these household heads did not graduate from high school, and many (45%) were either retired or not working during the survey year.

Other-family households had an income of $14,244 in 1985 and held $2,542 in savings. Housing, transportation, food, and clothing expenditures totaled $9,896, or 69% of their income. These households averaged three members, resulting in per person expenditures of $719 for food and $225 for clothing, the lowest per person expenditure of the five family types.

Conclusions

Spending by blaek and white households was very similar when only the pereentage of ineome required to pay for housing, transportation, food, and clothing was considered. However, when looking at levels of spending, black households spent much less due to their lower income.

The literature suggests that there is a widening gap between the incomes of the upper and lower income families—a factor contributing to the gap between black and white households (*4*). It also indicates that the black community is polarizing into two groups—the comfortable middle class who are becoming more affluent, and the very poor who are in a cycle of poverty (*4*).

This study showed an average income range of $4,116 for black households in the lowest income quintile to $47,938 for those in the

highest. Expenditures for housing, transportation, food, and clothing required more than 100% of income for households in the lowest quintile but only a little more than half of income for households in the highest.

Black households with the higher level of well-being[8] were those whose heads were well educated, had two or more earners, or were husband-wife types (with or without children). These households seemed to be in a relatively good position for paying housing, transportation, food, and clothing expenditures and having funds left over for other expenses and for saving. However, many of those who were under-educated, younger, in single-parent households, or had one or no earner often had total expenditures that exceeded income and, therefore, seemed to be at financial risk.

[8] As measured by a lesser percent of income consumed by the four essential expenses.

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Fair Credit and Charge Card Disclosure Act

The Federal Reserve Board has adopted final amendments to Regulation Z, Truth-in-Lending, implementing the Fair Credit and Charge Card Disclosure Act (FCCCDA), Pub. L. No. 100-583, 102 Stat. 2960. The purpose of the law is to provide a more detailed and uniformed disclosure of interest rates and other cost information in applications and solicitations to open credit and charge card accounts.

The new law requires credit and charge card issuers to provide disclosures to consumers in three situations involving applications and solicitations initiated by the creditor: direct mail; telephone; and applications made available to the general public.

The required disclosures must be provided in table form as prescribed by the Board, in most cases. Specifically, credit and charge card issuers must disclose:

1. Each periodic rate that may be used to compute the finance charge on an outstanding balance, expressed as an annual percent rate (APR).

2. The "regular" rate that will apply to the card account at the end of any discounted introductory rate.

3. How any variable-rates are determined.

4. Any periodic or membership fee imposed for the issuance of the card, expressed as an annualized amount.

5. The minimum finance charge.

6. Any transaction charge imposed in connection with the use of the card.

7. The grace period by which accounts must be repaid to avoid incurring a finance charge.

8. The method by which finance charges will be calculated.

9. That charges incurred are payable when the statement reflecting those charges is received by the consumer.

10. And any additional fees, such as for cash advances, late payments, or exceeding a credit limit.

In addition, card issuers that impose fees to renew credit and charge card accounts must provide cardholders with renewal notices, including a new set of credit disclosures, before a renewal fee is payable; and they must give notice of any increase in rate or substantial decrease in coverage as a result of a change in credit insurance providers.

The law took effect April 3, 1989, with compliance optional until August 31, 1989, in most cases, and applies to "traditional" credit and charge card accounts that are used primarily to purchase goods and services. Therefore, applications and solicitations to open overdraft lines of credit are not covered. Also excluded are open-end lines of credit accessed solely by account numbers, home equity lines of credit, and applications provided at the consumer's request. The law requires the Board to collect credit card price availability information from a sampling of financial institutions and make that information available to the public on request.

Source: Board of Governors of the Federal Reserve System, 1989, Federal Reserve Press Release (April 4) , Truth in Lending—Credit and Charge Card Disclosure.

Research Summaries

Expenditures of Families of Working Wives

Increased labor force participation by women has generated interest in the social and economic consequences of their employment. Data from the 1984 through 1986 Consumer Expenditure Surveys were used to determine the effect of a wage-earning wife on a family's expenditures. Expenditures perceived to be associated with the wife working outside the home were studied. These included food away from home, women's apparel, child care, vehicle purchases, gasoline, public transportation, housing, and pension plans including Social Security.

There were two parts to the analysis. First, the average annual income and expenditures of households in which the wife became employed between the 2nd and 5th interviews (the **new earner** group) was compared with similar households in which the wife was not employed (the control group)[1]. The economic costs and benefits gained from the wife's employment were defined in terms of the changes in expenditures and income that resulted from the change in the wife's employment status. In the second analysis, multivariate regression analysis was used to measure the effect of the wife's employment on household expenditures for all husband-wife families. Husband-wife families with only the husband employed (one-earner families) were compared with families in which both husband and wife, but no others, were employed (two-earner families). Differences were also noted between spending in families in which the wife worked part time and full time.

Most expenditure and income changes observed for **new earner** families were as expected. Income after taxes increased 17% after the wife became employed; food away from home increased 16%; child care increased 30%; and gasoline increased 7% (see table 1). Housing and pension costs also increased, but at a lower rate, and women's apparel expenditures increased only slightly. Unexpected anomalies were found when comparing the **new earners** with the control group: The increase for food away from home and women's apparel was larger for the control group. This may have been just an aberration, because the **new earner** group experienced larger changes than the control group for most expenditures.

Characteristics of families with a wife employed full time differed from those with an unemployed wife. For example, families with both husband and wife employed full time were younger, had fewer children and were more likely to have attended college than one-earner families (see table 2). Home ownership rates were about the same for both groups; however, families with two full-time earners were only half as likely to own their home mortgage free. Also, families with two full-time

Table 1. Income and expenditures of one- and two-earner husband/wife families, 1989

Item	Two-earner households (New earners)			One-earner households (Control group)		
	Interview #2	Interview #5	Percent change	Interview #2	Interview #5	Percent change
Income before taxes	$27,951	$32,425	16	$27,480	$28,081	2
Total expenditures	26,160	27,912	7	23,744	23,796	0
Food away from home	937	1,092	17	733	1,024	40
Women's clothing	456	469	3	385	429	11
Child care	122	158	30	130	118	-9
Vehicles	2,423	1,398	-42	1,904	1,494	-22
Gasoline	1,101	1,180	7	1,081	1,066	-1
Public transportation	41	35	-15	33	18	-46
Housing	2,593	2,736	6	2,284	2,363	3
Social Security and pension	2,256	2,380	5	2,135	2,124	0

Source: Jacobs, Eva, Stephanie Shipp, and Gregory Brown, Families of working wives spending more on services and nondurables, Monthly Labor Review, 112(2):15-23, U.S. Department of Labor, Bureau of Labor Statistics.

[1] For the Interview portion of the Survey, a sample of consumer units is interviewed every 3 months over 5 consecutive quarters. One-fifth of the consumer units are replaced by new units every quarter. About 70% of the consumer units participate for all five interviews. To obtain a sample of sufficient size for this analysis, consumer units were selected from 1984 to 1986. The resulting sample size was 175 for each group.

Table 2. Selected characteristics of husband-wife families by wife's employment status, 1984-86

Characteristic	All husband-wife families		
	Not working	Part-time	Full-time
Income before taxes	$28,923	$30,820	$36,282
Household size	3.4	3.4	3.0
Age of reference person (years)	44.5	38.3	37.9
Number of earners	1.0	2.0	2.0
Number of vehicles	2.2	2.5	2.5
Number of children	1.3	1.4	1.0
	Percent reporting		
Total	33%	22%	45%
Housing:			
Owner with mortgage	50	60	62
Owner without mortgage	26	15	12
Renter	24	25	26
Reference person:			
Race:			
Black	5	5	9
White and other	95	95	91
Education:			
Elementary (1-8)	10	4	5
High school (9-12)	47	39	43
College	43	57	52

Source: Jacobs, Eva, Stephanie Shipp, and Gregory Brown, Families of working wives spending more on services and nondurables, Monthly Labor Review, 112(2):15-23, U.S. Department of Labor, Bureau of Labor Statistics.

earners owned more vehicles and a higher proportion were black.

Families in which the wife worked part time exhibited some of the characteristics of both one-earner and two full-time earner families. They were, on average, the same age and owned the same number of vehicles as two full-time earner families, but they had about the same number of children as one-earner families.

Women contributed substantially to family income. Women who worked full time earned 40% of their families' income, and those who worked part time earned 29%. The wife worked full time in more than half of the families in the highest income group but in only one-third of the families in the lowest income group. Income for families with two full-time earners was 23% higher than for one-earner families; for two-earner families when the wife worked part time, income was only 7% higher.

Multivariate tobit regression analysis was used to examine whether expenditure differences existed between one- and two-earner families after controlling for certain demographic characteristics such as total expenditures, age, education, region, urbanization, family size, and presence of children. Weights were used in the regression analysis so that the results apply to the total population. The coefficients from the regression models were used to calculate predicted expenditures and to determine changes in expenditure patterns over the life cycle.

The employment status of the wife was statistically significant in explaining differences in the level of expenditures for food away from home, child care, women's apparel, gasoline and motor oil, and shelter. Two-earner families spent significantly more on these expenditures except for shelter; when the wife worked part time, shelter costs were about the same as for families in which the wife was not employed. Both groups, on average, had the same number of children and thus required similar housing space. In addition, the average income of families in which the wife worked part time was only slightly higher than that of one-earner families. Expenditures for vehicles were the same for one- and two-earner families, although two-earner families owned slightly more vehicles.

By controlling for other explanatory variables, the working status of the wife was determined to have an impact on the predicted expenditures. For example, families of employed wives spent an average of 17 to 18% more per year on child care and about 4% more on women's apparel than families with unemployed wives. Expenditures on food away from home were between 2 and 3% higher if the wife worked. Thus, the relative impact on expenditures from the wife's working appears small but significant. These expenditures appear to rise as income rises—whether the family has one earner or two earners.

Source: Jacobs, Eva, Stephanie Shipp, and Gregory Brown, Families of working wives spending more on services and nondurables, Monthly Labor Review, 112(2):15-23, U.S. Department of Labor, Bureau of Labor Statistics.

Home Equity Lending

The use of home equity loans by Americans is increasing. Contributing factors include the growing equity in homes, aggressive promotion by financial institutions, and a revised tax code that retains the interest deduction on real-estate secured debt but not on other consumer borrowing.[1] There are two types of home equity loans. The first, a traditional home equity loan (often called a second mortgage), is a closed-end loan extended for a specified time period and generally requiring repayment of principal and interest in equal monthly installments. The second type is the newer home equity line of credit that permits borrowing from time to time at the consumer's discretion up to the amount of the credit line, and typically has more flexible repayment schedules than does the traditional home equity loan. In recent years home equity lines of credit have become the more popular of the two types, as many creditors have promoted their credit line plans with discounted finance rates and waivers or rebates of closing costs and fees. Both types of home equity loans are characterized by favorable interest rates and tax deductability.

To obtain information on the prevalence and use of home equity loans, the Federal Reserve Board developed questions that were included in the Survey of Consumer Attitudes for July through December 1988, conducted by the Survey Research Center at the University of Michigan. This survey is one of the first that examines who is using home equity loans and for what purpose. Of the 3,010 families that were sampled, 2,011 were homeowners. A home equity line of credit was reported by 5.6% of the homeowners and a traditional home equity loan was reported by 5.3%.

[1] In 1986 the Tax Reform Act mandated the gradual removal of federal income tax deductions for interest paid on nonmortgage consumer credit.

Both types of home equity loans are more likely to be taken out by consumers who are well educated, middle aged, have relatively high income, and who have a large amount of equity built up in their homes. Before the midseventies, home equity loans were obtained most often through consumer finance companies, second mortgage companies, and individuals. Today, commercial banks, savings institutions (savings and loan associations and savings banks), credit unions, finance companies, and brokerage firms dominate the home equity loan market.

Home equity loans are more popular in the Northeast, where 20% of homeowners are borrowers against home equity, compared with 7% to 10% of homeowners in the other three regions of the country. Many of the financial institutions that have aggressively promoted home equity loan products are located in the Northeast, and incomes and real estate values have increased rapidly in that part of the country.

The most common uses of both types of home equity loans are to finance home improvements and to repay other debts. Consumers most often use credit line borrowing for educational and medical expenses and vacations, and traditional closed-end loans for real estate purchases. The differing features of the two products explain the differences in their use. The convenient availability of multiple draws on the credit lines are attractive to consumers for relatively small purchases (home appliances), for unanticipated outlays (medical expenses), and for outlays recurring over time (college tuition). In contrast, real estate transactions often are large, one-time events that may be relatively better financed with a traditional home equity loan.

Differences exist between holders of credit lines and users of traditional home equity loans. In 1987 families with credit line accounts had median incomes of $51,000, families with traditional home equity loans had median incomes of $43,000, and families with a first mortgage (no home equity loan) had median incomes of $38,000. Median amounts of home equity were $83,000 for holders of credit line accounts, $43,000 for consumers with traditional home equity loans, and $35,000 for those with a first mortgage only.

Users of traditional home equity loans on average owe considerably more than credit line users. In 1988, 25% of consumers using traditional home equity loans, compared with 9% of credit line users, owed $25,000 or more. The amounts that consumers owe on home equity lines of credit are typically well below the maximum amounts allowed under their plans. Many credit line holders (41%) have no balance outstanding. Of these, 85% have never used their account, but appear to have established them as standby lines of credit with no immediate use intended.

Consumers obtaining home equity loans are protected by two recent statutes. The Competitive Equality Banking Act of 1987 (CEBA) requires creditors to place a rate ceiling on newly established home equity lines that have an adjustable interest rate. The Home Equity Loan Consumer Protection Act of 1988 (HELCPA) expands the coverage of preexisting rules on disclosure and advertising for home equity lines, requires distribution of an information brochure about them, and places a variety of substantive restrictions on contract terms and conditions.

The growing importance of home equity debt in household balance sheets does not appear to have expanded the total volume of household borrowing. Home equity credit lines are being used primarily as substitutes for other types of debt.

Source: Canner, Glenn B., Charles A. Luckett, and Thomas A. Durkin, 1989, Home equity lending, Federal Reserve Bulletin 75(5):333-344, Board of Governors of the Federal Reserve System.

Living Arrangements and Marital Status of Households and Families[1]

In 1988 there were 91.1 million households in the United States (see table), an increase of 1.6 million from the previous year and 10.3 million since 1980. This increase was lower than the 12.6 million increase in the 1970-78 period. Families accounted for an estimated 72% of all households in 1988, compared with 74% in 1980 and 81% in 1970. Family households do not necessarily include children, but until recently, a majority of the families had at least one child among their members. In 1988 there were 31.9 million family households with a child under age 18 at home, and 33.2 million family households with no children present. In 1980, however, the majority of families had children under 18 living at home (31.0 million compared with 28.5 million without children).

In recent years, two-parent families have declined both in number and as a proportion of all households. These families accounted for 27% of households in 1988, down from 40% of all households in 1970. Married-couple families with one or two children under age 18 are more numerous than they were in 1970, but the increasing number of these relatively small families has been more than offset by a significant decline in the number of two-parent families with three or more children.

[1] The terms household and family, used by the Bureau of the Census, do not necessarily describe the same type of living arrangement. Family households consist of at least two persons — the householder and one or more additional persons related to the householder through birth, marriage, or adoption. Nonfamily households include persons living alone and householders living with one or more other persons who are not related to the householder.

Table 1. Household composition, 1970 to 1988

Type of household (numbers in thousands)	1988	1980	1970
	Number of households		
All households	91,066	80,776	63,401
Family households	65,133	59,550	51,456
No children under 18	33,213	28,528	22,725
With own children under 18	31,920	31,022	28,732
One child	13,578	12,443	9,350
Two children	11,911	11,470	8,942
Three or more children	6,431	7,109	10,440
Married-couple family	51,809	49,112	44,728
No own children under 18	27,209	24,151	19,196
With own children under 18	24,600	24,961	25,532
One child	9,904	9,671	8,163
Two children	9,576	9,488	8,045
Three or more children	5,120	5,802	9,325
Other family, male householder	2,715	1,733	1,228
No own children under 18	1,669	1,117	887
With own children under 18	1,047	616	341
One child	657	374	179
Two children	296	165	87
Three or more children	94	77	75
Other family, female householder	10,608	8,705	5,500
No own children under 18	4,335	3,261	2,642
With own children under 18	6,273	5,445	2,858
One child	3,017	2,398	1,008
Two children	2,039	1,817	810
Three or more children	1,217	1,230	1,040
Nonfamily householder	25,933	21,226	11,945
Living alone	21,889	18,296	10,851
Male householder	11,310	8,807	4,063
Living alone	8,788	6,966	3,532
Female householder	14,624	12,419	7,882
Living alone	13,101	11,330	7,319

Source: U.S. Department of Commerce, Bureau of the Census, 1988, Households, Families, Marital Status and Living Arrangements: March 1988 (Advance Report), Series P-20, No. 432.

Nonfamily households accounted for 45.7% of the total net increase in households from 1980 to 1988. About 85% of these households in 1988 were composed of persons living alone. Women accounted for 6 in 10 of these single person households. There were 2.6 million unmarried couple households in 1988, representing about 5% of the 54.4 million married and unmarried couples.[2]

[2] The Bureau of the Census defines an unmarried couple as two persons of the opposite sex who share their living quarters; no more than two unrelated adults are present, but the household may contain one or more children under age 15. Unmarried couples may include boyfriend/girlfriend relationships, tenant-owner situations, or paid employees of the householder.

The number of unmarried couples increased by 63% between 1980 and 1988, compared with an increase of 117% between 1970 and 1978.

Fewer children per family, an increase in one-parent households, postponement of marriage, and an increase of persons living alone all contribute to a decline in average household size. In 1988 there were 2.64 persons per household, compared with 2.76 in 1980 and 3.14 in 1970. Average family size has also declined, falling to 3.17 in 1988 from 3.29 in 1980 and 3.58 in 1970.

In 1988 the median age at first marriage was 25.9 years for men and 23.6 years for women. Since 1956 median age at first marriage has been rising for both men and women. The trend toward postponing marriage may reflect a greater commitment among some young adults to further their education or to establish themselves in a career prior to assuming family responsibilities.

Source: U.S. Department of Commerce, Bureau of the Census, 1988, Households, Families, Marital Status and Living Arrangements: March 1988 (Advance Report), Series P-20, No. 432.

Support Networks Among American Families

American families are generally nuclear—consisting of only parents and children—and economically self-sufficient. Not all households, however, are able to maintain financial independence. Information on support networks among families was collected in a supplement to the Survey of Income and Program Participation (SIPP) conducted between January 1985 and April 1985. Approximately 17,000 households were interviewed across the Nation.

Support payments were defined as regular cash payments, during the 12-month period prior to the interview, for the support of persons living outside the respondent's household. These payments include court-ordered alimony and support payments for women and children, other regular voluntary cash payments to children and ex-spouses, and lump-sum payments to any others living outside the provider's household. Excluded from consideration are cash gifts and cash transfers for educational expenses to own children living temporarily away from home at school, and noncash transactions such as food, clothing, or services to individuals, however important they may have been to the recipients.

In 1985 approximately 6.3 million persons (3.7% of the population 18 years old and over) provided financial support for about 9.9 million persons not living in the household with them. Of these providers, 63% supported children only, 31% supported adults only, and 6% assisted both children and adults.

The average amount of support was $3,006 annually or approximately 8% of the provider's family income. The average payment made by the 4.3 million providers supporting children outside their households was $2,607 annually, compared with $3,276 annually for the 2.3 million providers supporting adults. For both groups of recipients these payments averaged approximately 8% of the provider's family income. The relatively few providers who supported both children and adults made considerably higher annual payments: $8,387, approximately 19% of the provider's family income.

In 1985, 4 million fathers reported supporting 6.7 million children under 21 years old living outside their households. Slightly less than half of these men were currently married and supporting resident family members. Three-quarters of these men were 25 to 44 years old. Average payment was approximately $2,550 representing about 8% of the provider's income.

An estimated 553,000 men provided some regular financial assistance to their ex-wives (380,000) or to their current wives (173,000) living elsewhere. Approximately 3 in 10 of these men were currently married with a wife present. Support payments by men to wives or ex-wives averaged about $6,000 annually; these payments accounted for 11% of the men's family income, which averaged $54,033.

Characteristics of Support Providers

Age and sex. The majority (62%) of persons supporting someone outside their households were young adults 25 to 44 years old, 28% were 45 to 64 years old, 3% were under 25 years old, and 7% were over 65 years. The age distribution of the providers reflects their likelihood of having extended family ties and potential recipients of financial assistance. Providers 45 to 64 years old were about as likely to support children (44%) as to support adults (50%), and although they are sandwiched between dependent generations, only 7% supported both adults and children at the same time. Among older providers 65 years and over, 94% supported adults. About one-half of all dependent persons in nursing homes received support from persons who were themselves 65 years and over, most likely a noninstitutionalized spouse.

The average annual payment per provider 65 years old and over supporting adults was $4,658, whereas that per provider 25 to 44 years old supporting adults was $2,541. The majority of providers were men (84%) and most of them supported children only (69%). Men also provided greater amounts of support; their payments averaged $3,198, or 8% of their family income. In contrast, women's payments averaged $1,987, or 5% of their family income.

Family and marital status. Of all adults receiving assistance, 34% were parents of their providers, 7% were current spouses living outside the household, and 15% were former spouses. Married providers were more likely to be supporting children under 21 years (61%, with average payments of $2,436) than adults (42%, with an average payment of $2,655). Divorced providers were more likely to support minor children (87%, with an average payment of $2,901), but less likely to support adults (22%).

The majority (64%) of parents receiving assistance but living apart from their children received it from their sons. Among the 500,000 children 21 years old and over who received financial support from their parents, about 44% received support from their mothers. This is in contrast to the incidence of financial support received by children under 21 years of age, where only 6% of the recipients received help from their mothers. Overall, payments received by older children averaged $3,755, compared with $1,600 received per child under 21. Children 21 and over are probably recipients of voluntary payments from either a father or mother or both, who are attempting to maintain consistency in their children's living standards.

Odds of being a provider. The odds that any person 18 years and over in 1985 will be a provider of financial support to someone living outside his or her household are very low: for every person providing support, there are 26 persons who do not. Some groups are more likely to be providers than others. Men and persons with marital disruptions are more likely than women and persons neither separated nor divorced to be providers—both by a 6 to 1 ratio. In general, persons 25 to 44 years old are about twice as likely to be providers as persons 65 years and over. Also, persons living in families with incomes over $45,000 are about twice as likely to be providers as those living in families with incomes under $15,000. Because a person's age, marital status, and sex are directly associated with having dependent children, elderly parents, or ex-spouses, these characteristics have a greater bearing on the likelihood of a person being a provider than economic status or education. However, socioeconomic factors gain importance in determining the amount of payments.

Source: U.S. Department of Commerce, Bureau of the Census, 1988, Who's Helping Out? Support Networks Among American Families, Current Population Reports, Household Economic Studies, Series P-70, No. 13.

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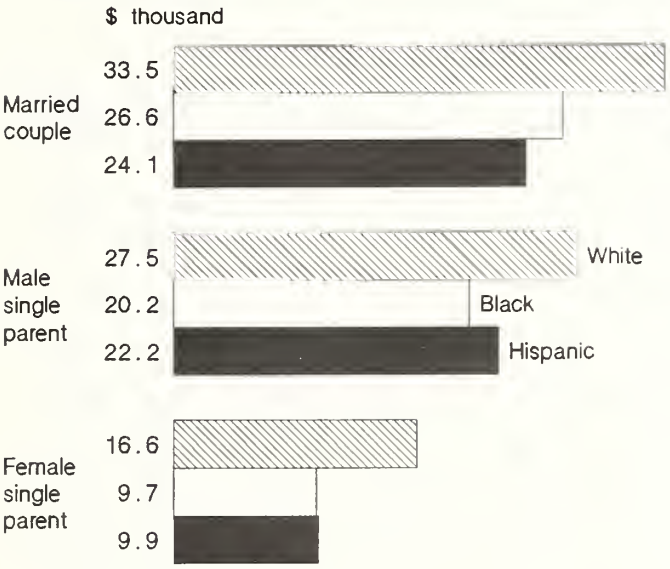
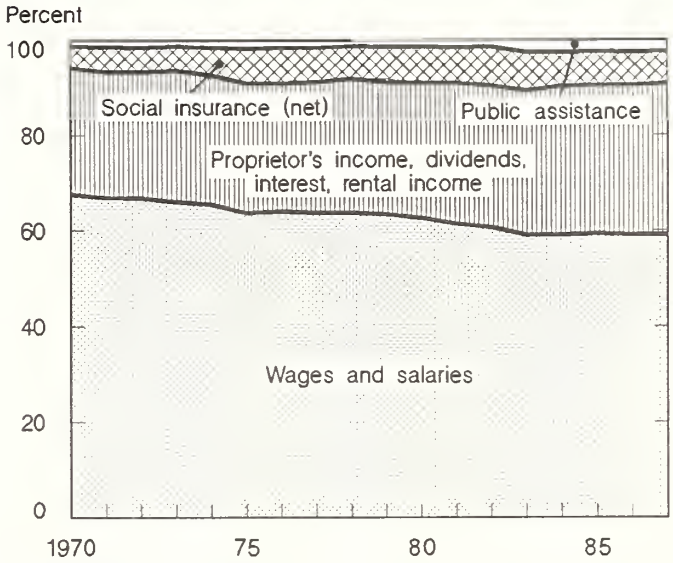
New USDA Charts

Chart 143
Median income by family type and race



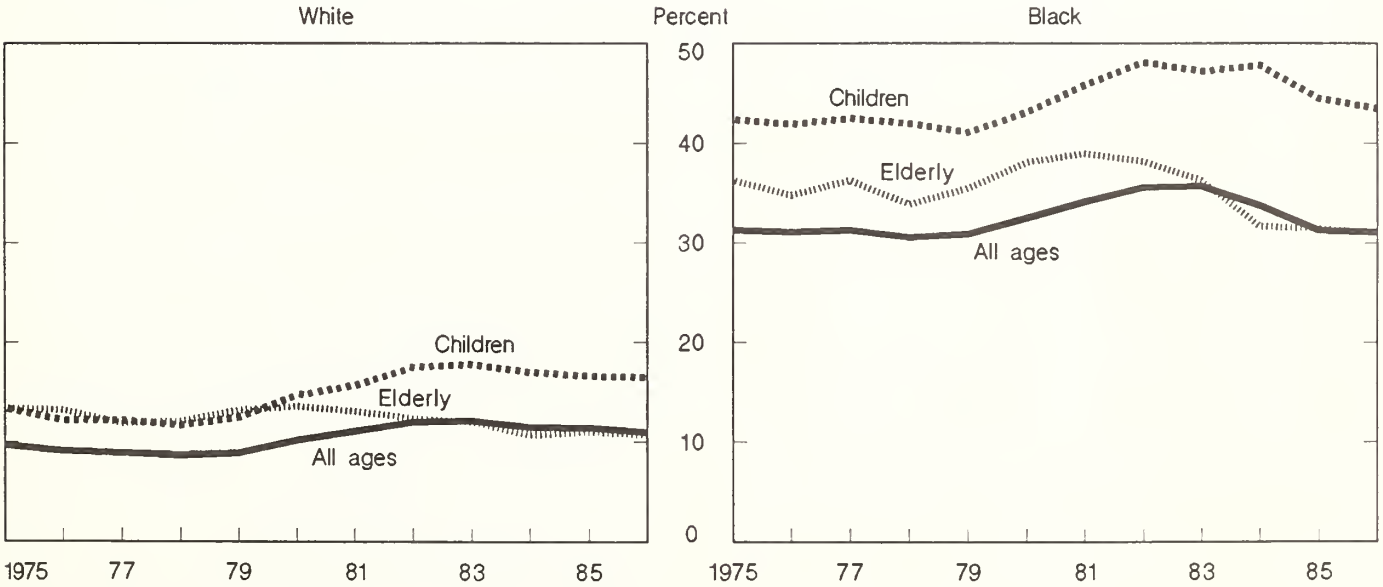
1986 data. Source: Bureau of the Census.

Chart 144
Personal income sources



Social insurance includes government transfer payments, less personal contributions.
Source: Bureau of Economic Analysis.

Chart 145
Poverty rates for individuals



Source: Bureau of the Census.

Cost of Food at Home

Cost of food at home estimated for food plans at 4 cost levels, May 1989, U.S. average [1]

Sex–age group	Cost for 1 week				Cost for 1 month			
	Thrifty plan	Low–cost plan	Moderate–cost plan	Liberal plan	Thrifty plan	Low–cost plan	Moderate–cost plan	Liberal plan
FAMILIES								
Family of 2: [2]								
20–50 years	$44.90	$56.60	$69.90	$87.00	$194.30	$245.20	$302.90	$377.20
51 years and over	42.30	54.30	67.20	80.50	183.80	235.70	291.30	348.80
Family of 4:								
Couple, 20–50 years and children –								
1–2 and 3–5 years	65.20	81.30	99.30	122.30	282.10	352.00	430.90	529.90
6–8 and 9–11 years	74.70	95.50	119.50	144.10	323.80	413.70	517.80	624.60
INDIVIDUALS [3]								
Child:								
1–2 years	11.70	14.30	16.60	20.10	50.70	61.80	72.10	87.10
3–5 years	12.70	15.50	19.20	23.10	54.80	67.30	83.40	99.90
6–8 years	15.50	20.60	25.80	30.10	67.30	89.30	111.60	130.40
9–11 years	18.40	23.40	30.20	34.90	79.90	101.50	130.80	151.30
Male:								
12–14 years	19.30	26.60	33.20	38.90	83.70	115.10	143.90	168.50
15–19 years	20.00	27.50	34.10	39.60	86.70	119.00	147.60	171.50
20–50 years	21.40	27.40	34.20	41.50	92.70	118.60	148.40	179.80
51 years and over	19.40	26.00	32.10	38.50	84.30	112.80	139.10	166.90
Female:								
12–19 years	19.10	23.00	27.90	33.80	82.90	99.70	121.10	146.50
20–50 years	19.40	24.10	29.30	37.60	83.90	104.30	127.00	163.10
51 years and over	19.10	23.40	29.00	34.70	82.80	101.50	125.70	150.20

[1] Assumes that food for all meals and snacks is purchased at the store and prepared at home. Estimates for the thrifty food plan were computed from quantities of foods published in Family Economics Review 1984(1). Estimates for the other plans were computed from quantities of foods published in Family Economics Review 1983(2). The costs of the food plans are estimated by updating prices paid by households surveyed in 1977–78 in USDA's Nationwide Food Consumption Survey. USDA updates these survey prices using information from the Bureau of Labor Statistics, CPI Detailed Report, table 3, to estimate the costs for the food plans.

[2] 10 percent added for family size adjustment. See footnote 3.

[3] The costs given are for individuals in 4-person families. For individuals in other size families, the following adjustments are suggested: 1-person – add 20%; 2-person – add 10%; 3-person – add 5%; 5- or 6-person – subtract 5%; 7- or more-person – subtract 10%.

Scientist Position Vacancy Announcement

The **Family Economics Research Group** is seeking a Family Economist, Economist, or Home Economist for a scientist position.

The Group is part of the Agricultural Research Service of the U.S. Department of Agriculture. Offices are located in a Northeast suburb of Washington, DC, near the University of Maryland.

Responsibilities include conducting family economics research projects, reporting findings in **Family Economic Review** and other research journals, and providing leadership to a research team. Qualifications include a Ph.D. in Home Economics, Economics, or a related field.

For application information, contact: Dr. Frankie N. Schwenk, Research Leader, USDA-ARS-FERG, 439 Federal Building, 6505 Belcrest Road, Hyattsville, Maryland 20782, (301) 436-8461.

Consumer Prices

Consumer Price Index for all urban consumers [1982-84 = 100]

Group	Unadjusted indexes			
	May 1989	April 1989	March 1989	May 1989
All items	123.8	123.1	122.3	117.5
Food	124.9	124.2	123.5	117.0
Food at home	124.4	123.5	122.7	115.1
Food away from home	126.7	126.2	125.7	121.0
Housing	122.1	121.6	121.5	117.7
Shelter	131.8	131.2	131.2	126.2
Renters' costs[1]	137.8	137.9	138.6	133.1
Homeowners' costs[1]	136.2	135.4	135.0	129.9
Household insurance[1]	132.1	131.4	131.3	128.2
Maintenance and repairs	117.4	117.3	117.1	114.3
Maintenance and repair services	120.2	119.8	119.6	117.8
Maintenance and repair commodities	113.8	114.1	113.8	109.8
Fuel and other utilities	107.0	106.2	105.9	103.5
Fuel oil and other household fuel commodities	81.5	82.5	81.5	80.0
Gas (piped) and electricity	106.1	105.0	104.8	102.6
Household furnishings and operation	110.8	110.7	110.5	109.3
Housefurnishings	104.7	105.0	105.1	104.9
Housekeeping supplies	120.9	119.6	118.5	114.1
Housekeeping services	117.3	117.1	116.9	114.8
Apparel and upkeep	120.4	120.9	119.3	116.3
Apparel commodities	118.6	119.3	117.5	114.8
Men's and boys' apparel	117.8	117.2	115.9	113.6
Women's and girl's apparel	119.5	121.5	119.4	117.3
Infants' and toddlers apparel	125.4	123.6	118.5	117.7
Footwear	114.9	115.3	114.1	109.7
Apparel services	129.9	128.9	128.5	122.8
Transportation	116.0	114.6	111.9	108.1
Private transportation	115.0	113.6	110.7	107.0
New vehicles	119.2	119.2	119.4	115.9
Used cars	121.0	120.7	120.5	117.0
Motor fuel	96.6	92.1	81.5	81.4
Automobile maintenance and repair	124.3	123.8	123.5	119.3
Other private transportation	135.6	134.7	134.5	126.3
Other private transportation commodities	101.5	100.8	100.1	98.9
Other private transportation services	142.9	142.0	141.9	132.0
Public transportation	128.9	128.4	128.2	122.4
Medical care	147.5	146.8	146.1	137.5
Medical care commodities	150.0	148.4	147.2	139.0
Medical care services	146.9	146.4	145.9	137.2
Professional medical services	145.2	144.9	144.4	136.4
Entertainment	125.5	125.4	124.7	119.7
Entertainment commodities	119.3	119.0	118.5	114.5
Entertainment services	133.9	134.0	132.9	126.9
Other goods and services	145.4	144.7	144.4	135.1
Personal care	124.8	124.1	123.6	118.7
Toilet goods and personal care appliances	122.7	122.6	122.4	117.2
Personal care services	126.8	125.4	124.8	120.1
Personal and educational expenses	155.2	154.9	154.6	145.5
School books and supplies	155.2	155.2	155.1	146.4
Personal and educational services	155.4	155.1	154.7	145.6

[1] Indexes on a December 1982 = 100 base.

Source: U.S. Department of Labor, Bureau of Labor Statistics.

Highlights

Consumption Cutbacks in Older Households

Expenditures of Black Households